

**MINUTES
SPECIAL MEETING
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, February 15, 2008
12:00 p.m., AZ Time**

The Arizona State Retirement System (ASRS) Board met in the 14th Floor Conference Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Michael Townsend, Chair of the ASRS Board, called the meeting to order at 12:00 p.m., AZ Time.

The meeting was NOT teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Michael Townsend, Chair
Dr. Keith Meredith, Vice Chair
Mr. David Byers
Mr. Christopher Harris
Mr. Jaime Gutierrez (telephonically)
Mr. Steven Zeman
Mr. Tom Connelly

Absent: Mr Lawrence Trachtenberg
Mr. Jim McLaughlin

A quorum was present for the purpose of conducting business.

Mr. Michael Townsend opened the meeting by reviewing the Board's evaluation of themselves. Board Trustees rated their performance for each of the following topics:

1. The Board maintains an effective oversight role with regard to benefit and investment issues.
2. The Board knows and understands the ASRS' mission and strategic plan, and reflects this understanding when addressing key issues throughout the year.
3. The Board engages in long-range strategic thinking and planning.
4. The Board has achieved the business objectives it set out to accomplish this past year.
5. The Board stays abreast of issues and trends affecting the ASRS, using this information to assess and guide the ASRS over the long term.
6. The Board conducts a comprehensive evaluation of the Director annually.
7. The Board ensures that new Trustees receive a prompt, thorough orientation.

8. Board meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.
9. The Board meeting agendas are well-balanced, allowing time for the most critical issues.
10. The Board and Committee meetings are handled efficiently.
11. The Committees are effective, focusing on pertinent topics and allocating reasonable time.
12. The Board is well-educated on both benefit and investment issues.
13. The Board recognizes its policy-making role and reconsiders and revises policies as necessary.
14. The Board is consistently prepared for meetings.
15. The Board as a whole, and Trustees as individuals, evaluate their performance on an annual basis.
16. The Board reviews and adopts a reasonable operating budget that is followed and monitored throughout the year.
17. The Board periodically monitors investment performance and measures it against relevant benchmarks.
18. The Board periodically monitors service to members.
19. The Board comprehends and respects the difference between its policy-making role and the Director's management role.
20. Board goals, expectations, and concerns are promptly, candidly and effectively communicated to the Director.
21. The Board anticipates issues and does not often find itself reacting to "crisis" situations.

The above topics and associated ratings were used as a discussion guide for the evaluation and discussion of items that may help the Trustees meet their fiduciary responsibility.

The Trustees were also asked to identify the greatest achievements of the ASRS during the past year. The following were among items listed: working together in the best interest of the participants; legislative issues which will help secure the long-term health of the Fund; improved member communication; establishment of a real estate and private equity allocation and plan; IT Plan successes; trust fund value growth; decrease in contribution rates for FY2009; positive actuarial audit; establishment of a revised, more flexible, continuously monitored asset allocation model; remain long-term goal oriented.

The Trustees also discussed the critical issues needing to be addressed by the Board in the future. The following were among items listed: review Board governance; investment returns; retiree health care and associated costs; cost of living raises; contribution rate control, evaluation of investment allocation, Permanent Benefit Increase (PBI), appropriate level of staff workforce, enhanced communication with member union personnel; accurately assess risk with global and alternative investments; maintaining the health of the system while maintaining a long-term perspective; continued monitoring of the hybrid system; divestiture pressure; fiduciary responsibilities; streamline decision making; awareness of "best practices" from other

organizations; Trustee education in alternative asset classes; identify our expectations for investment returns and how we attain those expectations.

Call to the Public

No members of the public were present.

Adjournment of the ASRS Board

Mr. Townsend adjourned the February 15, 2007, Special Meeting of the Board at 12:50 p.m.

ARIZONA STATE RETIREMENT SYSTEM

Gayle Williams, Secretary

Date

Michael Townsend, Chair

Date